

arrangements to keep his suffering a withering blight.

Sales of these specialties do not bulk large in the total of transactions, but business as such is essential as wheat, coal and oil, which Europe must buy even to a limited extent, but representatives of American specialty firms have been conducting an active little propaganda here and quite naturally are desirous to state figures to indicate their gain if their business prospers.

Against a cancellation of the American fiscal system if the total \$10,000,000,000 debt were written off.

What is extremely likely to influence the "Austrian" and Lord Chamberlain's negotiations in the United States will be Washington's attitude regarding the sums due from Great Britain to the United States. Advances have been given to them that London will not press for the sums due to Great Britain by her allies until the German indemnity begins to be collected.

The other Allies have no such assurance from the United States, and their budgets show no possibility of paying their obligations if America demands payment, either in the form of the dollar or the German indemnity. It is developments that Italy and France cannot meet their maturities and America has either to remit them or to force repudiation by the countries. It is figured here that America, as well as England, will see their essential interests involved in preventing any such disturbing precedent, and some accommodation will be arranged.

Also it is figured that America, as well as England, is unwilling to see a further collapse of Continental exchanges as compared with either the dollar or the pound sterling.

It is realized that this is one of the most important matters that is to come before Mr. Harding when he takes his place at the head of the Administration in Washington. The London conference of the allied Premiers will be under way when Mr. Harding is inaugurated, and it is realized here that it will be some weeks at least after his inauguration before the new President and the new Secretary of the Treasury have settled this point and will be able to put into effect the policy which is believed here that some settlement must be reached before next May.

## \$1,500,000,000 CREDITS BY U. S. SINCE ARMISTICE

They Have Been Extended on Seventy Different Dates.

Special Despatch to THE NEW YORK HERALD, New York, Feb. 7.

The United States has extended credits to allied and other countries in excess of \$1,500,000,000 since the armistice.

These credits have been extended on seventy different dates beginning with a credit of \$100,000,000 to Italy November 12, 1918, the day after the armistice was signed, and ending with a credit of \$4,921,000 to Italy April 2 last.

On Sunday day after the signing of the armistice these credits were extended: \$9,000,000 to Belgium, \$200,000,000 to Great Britain and another \$50,000,000 to Italy.

During the same period more than \$200,000,000 in credits to the same countries has been withdrawn.

In the two years following the armistice sixteen separate credits were extended to Belgium totaling \$184,500,000 and four withdrawals of credit from this country were made with a total of \$4,100.

Figures for the other nations were: Cuba, no credits, but a withdrawal of \$5,000,000.

Czechoslovakia, seven credits, totaling \$67,320,000, and one withdrawal of \$885.

France, eight credits, totaling \$195,497,000, and two withdrawals totaling \$27,522,000.

Great Britain, five credits, totaling \$60,000,000, and six withdrawals, totaling \$118,000,000.

Greece, three credits, totaling \$32,400,000.

Italy, eighteen credits, totaling \$410,000,000, and one withdrawal of \$2,828,000.

Rumania, five credits, totaling \$25,000,000, and two withdrawals, totaling \$5,466,666.

Russia, no credit, but one withdrawal of \$137,270,250.

Serbia, two credits, totaling \$15,268,000, and one withdrawal of \$488,000.

## BRITAIN SUGGESTED LOAN SHIFT TO U. S.

LONDON, Feb. 8 (Tuesday).—In an editorial the London Times asserts that well informed quarters here have long understood that during the war the British Government suggested to the United States Government that it should substitute itself for Great Britain as direct creditor of France and Italy with respect to sums Great Britain borrowed from America and lent to the two allies, but that the suggestion was rejected.

"We shall not go back on our word," it continues. "We are a nation of shopkeepers, and commercial interest, as well as commercial honor, forbids us to disavow our paper. Payment of both capital and interest ought to have been conceded long ago."

Regarding the Allies' debts to Great Britain the Times declares there can be no talk of remitting any part of them until full arrangements are made for the repayment of Great Britain's own debt to America.

"We shall pay fully and promptly," it says, "on whatever reasonable terms are proposed to us."

## WILSON ARMY VETO IS OVERRIDDEN BY SENATE

Special Despatch to THE NEW YORK HERALD, New York, Feb. 7.

President Wilson's resolution to reduce the size of the army until it reaches 175,000 was overridden by the Senate today by a vote of 67 to 1. Senator Kirby (Ark.), Democrat, being the only one to sustain the President's resolution.

The House already has passed the measure over the veto by an overwhelming vote, so the resolution now becomes a law.

Cancellation of army recruiting was ordered to-night by Secretary Baker in accordance with the direction of Congress as embodied in the resolution passed over the veto.

The action of the Senate today fore-shadows Senate approval of an appropriation for an army of 175,000. The House, which is to vote finally on the army bill to-morrow, provided pay for only 130,000. Senate leaders in both parties expressed the view today after the vote on the veto that the upper branch will favor pay for an army of the size Congress has approved.

"It would seem to me absurd to do anything else," said Senator New (Ind.), member of the Military Affairs Committee and author of the Senate resolution for an army of 175,000. "If we do not do that we will be forced to pass a deficiency appropriation because the army is now recruited to about 230,000 and cannot be reduced to 175,000 before October 1."

"That means we will have an army averaging about 200,000 for the next six or seven months. Therefore it seems to me the only practical thing to do is to provide pay for at least 175,000, and that it would be folly to do anything else."

When Senator New's attention was called to a report that President-elect Harding had expressed a reference for an "offhand" comment, not an official declaration of policy.

## HOUSTON REFUSES INDEMNITY DEMAND FAIR, SAYS CASENAVE

Denies Senate Demand for Contracts in Discussion of Their Legality.

CANCELLATION ASKED

Secretary Admits Request by One Nation, but Hides Its Identity.

Special Despatch to THE NEW YORK HERALD, New York, Feb. 7.

Secretary of the Treasury Houston today refused to discuss the demand of the Senate Judiciary Committee for information regarding administration of laws authorizing American loans to foreign governments. His refusal followed the admission that "one allied Government," which he would not identify, had asked cancellation of its debt.

His refusal was based, first, on the statement by the Treasury Department that it is not the business of the Treasury to make a statement to-morrow to the Foreign Relations Committee on the foreign loan and credit situation, and second, because of a concern which would be to reveal the details of the facts concerning all details in the possession of the Treasury Department.

He explained he is to appear before the Foreign Relations Committee because of the provisions of the two resolutions of Senator Walsh (Mass.), favorably reported to the Senate but not yet adopted, which purport first to repeal the provisions of the various Liberty and Victory Loan acts authorizing foreign loans and credit advances, and second, to prevent the Treasury Department from making any further advances to any nations on existing credit balances.

Legality Is Questioned.

Mr. Houston appeared before the Judiciary Committee today to be heard on the resolution of Senator Reed (Mo.), which questions the legality of administrative acts of the Treasury already performed in making foreign loans and to prevent further payments on foreign credit balances.

He contended that section 3 of the Second Liberty Loan act authorized the Treasury to accept short term obligations in lieu of permanent securities from foreign Governments as security.

Senator Smith (Cal.), who was a member of the Finance Committee when the Second Liberty Loan act was passed, disputed this construction of the law, and insisted that law contemplated the loaning of money to foreign Governments of foreign securities, with maturities and rates of interest, the same, approximately, as the maturity and interest of our own bonds, and that those foreign securities should be marketable.

Secretary Houston repeated what he already had written to Senator Lodge, that he would not make any further commitments for advances to foreign Governments or attempt to complete negotiations now pending for the refunding of the foreign debt. He does intend, he said, to make further advances to foreign Governments, as which he already has "committed" this Government if called on to do so. As that is one of the things the Reed resolution and others are trying to prevent, Mr. Reed criticized the policy severely.

No Additional Loans.

"It is not my intention," Secretary Houston said, "to make any additional loans or to establish new credits, but it is possible that payments will be advanced under commitments made."

"Do you mean that you will pay out more money?" asked Senator Kellogg.

"He has just stated that payments will be made," interrupted Senator Frank (Conn.), member of the Foreign Relations Committee.

"What is the total of these possible further payments?" asked Senator Kellogg.

"Possibly \$75,000,000," replied the Secretary, "but none to Great Britain. There are the following approximate credit balances existing: Czechoslovakia, \$6,072,000; France, \$50,496,000; Greece, \$33,236,000; Italy, \$34,921,000; and Liberia \$4,974,000. They have all been set out in my annual report."

Senator Reed interjected that while the Secretary had promised not to make any further loans or to continue negotiations for refunding, that did not bind his successor, who might take a different view, and he urged that Congress ought to prevent it by law. Both Secretary Houston and Assistant Secretary Kelley, who was present, admitted that many of the foreign Governments had not paid the interest on what they owe us.

"Do you think it justifiable to pay money out of these credits to Governments that already owe us large sums of money?" asked Senator Reed. There was no direct reply. It was explained some commitments had been made to Greece totaling \$50,000,000 francs. This the Secretary explained was in pursuance of a contract under which the Governments of Greece, France and Great Britain each was to have \$50,000,000 francs.

"Have you a copy of that contract and will you furnish it to us?" asked Mr. Reed.

Contract Is Withheld.

"I do not think it ought to be made public," the Secretary replied. "I already have agreed to appear before the Foreign Relations Committee in executive session, when some of these matters may be discussed, but I think it would be very unfortunate to make them public."

Senator Reed insisted that the Judiciary Committee already had received production of all correspondence and papers by the Secretary. This was disputed by Mr. Kelley. At the end of a wrangle over the President's veto (N. C.) said he thought the whole matter ought to be referred to the Foreign Relations Committee, but did not press it then, although he did later.

Senator Smith (Cal.) asked whether France or Italy gave their permanent obligations for money they have received.

"They have not," the Secretary said. "It was contemplated originally that their securities should be in permanent form but for reasons this could not be done and short term securities were accepted with the understanding they were to be converted into long term obligations. This is one reason for the pending negotiations."

"One nation asked cancellation of its debt."

"What nation was that?" asked Mr. Reed.

"I prefer to not answer that," said the Secretary.

Mr. Reed insisted on a reply, but the Secretary again refused and said, "I do not care to go into that today."

Senator Reed then proposed that a subcommittee of the Judiciary Committee be named to go to the Treasury Department and examine their records, but did not press the suggestion.

The committee went into the question of loans made to the Kerensky Russian Government before and after the fall. It was disclosed that Boris Bakmeteff, Kerensky representative, had received \$200,000 from the Treasury as late as 1920 to help expenses of the embassy here. Later this was repaid.

A "FURNISHED Room Wanted" ad. in The Herald, which was signed by a woman, was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

## HOUSTON REFUSES INDEMNITY DEMAND FAIR, SAYS CASENAVE

Denies Senate Demand for Contracts in Discussion of Their Legality.

CANCELLATION ASKED

Secretary Admits Request by One Nation, but Hides Its Identity.

Special Despatch to THE NEW YORK HERALD, New York, Feb. 7.

Secretary of the Treasury Houston today refused to discuss the demand of the Senate Judiciary Committee for information regarding administration of laws authorizing American loans to foreign governments. His refusal followed the admission that "one allied Government," which he would not identify, had asked cancellation of its debt.

His refusal was based, first, on the statement by the Treasury Department that it is not the business of the Treasury to make a statement to-morrow to the Foreign Relations Committee on the foreign loan and credit situation, and second, because of a concern which would be to reveal the details of the facts concerning all details in the possession of the Treasury Department.

He explained he is to appear before the Foreign Relations Committee because of the provisions of the two resolutions of Senator Walsh (Mass.), favorably reported to the Senate but not yet adopted, which purport first to repeal the provisions of the various Liberty and Victory Loan acts authorizing foreign loans and credit advances, and second, to prevent the Treasury Department from making any further advances to any nations on existing credit balances.

Legality Is Questioned.

Mr. Houston appeared before the Judiciary Committee today to be heard on the resolution of Senator Reed (Mo.), which questions the legality of administrative acts of the Treasury already performed in making foreign loans and to prevent further payments on foreign credit balances.

He contended that section 3 of the Second Liberty Loan act authorized the Treasury to accept short term obligations in lieu of permanent securities from foreign Governments as security.

Senator Smith (Cal.), who was a member of the Finance Committee when the Second Liberty Loan act was passed, disputed this construction of the law, and insisted that law contemplated the loaning of money to foreign Governments of foreign securities, with maturities and rates of interest, the same, approximately, as the maturity and interest of our own bonds, and that those foreign securities should be marketable.

Secretary Houston repeated what he already had written to Senator Lodge, that he would not make any further commitments for advances to foreign Governments or attempt to complete negotiations now pending for the refunding of the foreign debt. He does intend, he said, to make further advances to foreign Governments, as which he already has "committed" this Government if called on to do so. As that is one of the things the Reed resolution and others are trying to prevent, Mr. Reed criticized the policy severely.

No Additional Loans.

"It is not my intention," Secretary Houston said, "to make any additional loans or to establish new credits, but it is possible that payments will be advanced under commitments made."

"Do you mean that you will pay out more money?" asked Senator Kellogg.

"He has just stated that payments will be made," interrupted Senator Frank (Conn.), member of the Foreign Relations Committee.

"What is the total of these possible further payments?" asked Senator Kellogg.

"Possibly \$75,000,000," replied the Secretary, "but none to Great Britain. There are the following approximate credit balances existing: Czechoslovakia, \$6,072,000; France, \$50,496,000; Greece, \$33,236,000; Italy, \$34,921,000; and Liberia \$4,974,000. They have all been set out in my annual report."

Senator Reed interjected that while the Secretary had promised not to make any further loans or to continue negotiations for refunding, that did not bind his successor, who might take a different view, and he urged that Congress ought to prevent it by law. Both Secretary Houston and Assistant Secretary Kelley, who was present, admitted that many of the foreign Governments had not paid the interest on what they owe us.

"Do you think it justifiable to pay money out of these credits to Governments that already owe us large sums of money?" asked Senator Reed. There was no direct reply. It was explained some commitments had been made to Greece totaling \$50,000,000 francs. This the Secretary explained was in pursuance of a contract under which the Governments of Greece, France and Great Britain each was to have \$50,000,000 francs.

"Have you a copy of that contract and will you furnish it to us?" asked Mr. Reed.

Contract Is Withheld.

"I do not think it ought to be made public," the Secretary replied. "I already have agreed to appear before the Foreign Relations Committee in executive session, when some of these matters may be discussed, but I think it would be very unfortunate to make them public."

Senator Reed insisted that the Judiciary Committee already had received production of all correspondence and papers by the Secretary. This was disputed by Mr. Kelley. At the end of a wrangle over the President's veto (N. C.) said he thought the whole matter ought to be referred to the Foreign Relations Committee, but did not press it then, although he did later.

Senator Smith (Cal.) asked whether France or Italy gave their permanent obligations for money they have received.

"They have not," the Secretary said. "It was contemplated originally that their securities should be in permanent form but for reasons this could not be done and short term securities were accepted with the understanding they were to be converted into long term obligations. This is one reason for the pending negotiations."

"One nation asked cancellation of its debt."

"What nation was that?" asked Mr. Reed.

"I prefer to not answer that," said the Secretary.

Mr. Reed insisted on a reply, but the Secretary again refused and said, "I do not care to go into that today."

Senator Reed then proposed that a subcommittee of the Judiciary Committee be named to go to the Treasury Department and examine their records, but did not press the suggestion.

The committee went into the question of loans made to the Kerensky Russian Government before and after the fall. It was disclosed that Boris Bakmeteff, Kerensky representative, had received \$200,000 from the Treasury as late as 1920 to help expenses of the embassy here. Later this was repaid.

A "FURNISHED Room Wanted" ad. in The Herald, which was signed by a woman, was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

It was removed from the columns of the paper.

enemies with all rigor. In 1917 no part of their country had been invaded for any length of time. None of their provinces had been destroyed. On all fronts they occupied the territory of their enemies; they nevertheless announced their intention of collecting a sum of 500,000,000 marks gold.

Payments Made Easy.

"The Allies do not ask but half of this sum, and as that which they do ask is payable in installments over a period of forty-two years, its true value is even smaller, being in the neighborhood of 100,000,000 marks gold. The terms of payment have been made so easy that the first annuities which Germany must pay are smaller than the sum which France must set aside annually for the payment of pensions to the widows and children of soldiers killed in the war."

"If the public debt of France before and after the war be compared, it will be seen that this debt, which was 31,000,000,000 francs in 1914, has risen to 247,000,000,000 francs at present; the war has thus cost France 186,000,000,000 francs, reconstruction and pensions another 36,000,000,000 francs. Is it unfair to ask that Germany pay in reparations a sum which is to be divided among 60 million Germans, and which does not even equal the increase in France's debt?"

"But all these calculations are of no value if the sum set is higher than it is possible for Germany to pay. Let us examine this side of the matter. The Secretary of the League of Nations recently published figures of the average per capita income of France and Germany."

"In France the income per capita of every Frenchman averages 3,200 francs, of which the Government receives in taxes 574 francs, or 18 per cent.

"In Germany the income per capita is 2,900 marks, of which the Government of the Reich receives in taxes 174 marks, or 12 per cent. Now, if in Germany the burden of taxation were to be raised to 18 per cent, equaling the proportion which is paid in France, the additional sums receivable by the German Treasury would amount to 12,540,000,000 marks, which at par is more than the highest sum which Germany is called upon to pay for reparations in any one year."

"Who could be made to believe that Germany, which was never invaded, which was in no way devastated, which was able to pay to the late Emperor a pension of more than 100,000,000 marks, is not able to pay taxes equal to the devastation of her rich industrial provinces?"

Advantage of Export Tax.

"To the direct reparations indemnity has been added a measure which will insure for forty years to the advantage of the Allies, a tax of 12 per cent, on German exports. This measure has been more criticized than the indemnity itself. But the measure is a considerable advantage of not taxing German riches, except as they increase, and in proportion to their development. It has the further advantage of moderately priced German goods. It seems to me that the measure in question is a remedy for Germany's evident bad faith, and that, further, it is taking into account the fact that the present rate of the German mark, which in itself makes German exports profitable to Germany, the tax of 12 per cent, on her exports is not sufficiently high either to prevent her from developing sufficiently, on the one hand, to assure industrial life to Germany, nor, on the other hand, to prevent her paying on the reparations due to the Allies."

"Thus it is that France has the right to count on the reparations which Germany must pay her for the reimbursement of the great advances which she has been obliged to make for reconstruction. She has the right and it is her duty to exact these payments, so that her own future generations shall not be borne down by the weight of the cost of reconstructing that which she did not destroy. It is the duty of a father to his family to obtain the payment of a debt which is due him, not only because he has the right to defend his personal goods but because the duty of defending the patrimony of his children devolves upon him."

"But must we conclude, because Germany delays the payment of the sums which she owes, that France is in danger of bankruptcy? To answer this question certain figures are necessary: The secretary of the League of Nations estimates the total income of France for the year 1920 at 128,000,000,000 francs. In 1920 the French people invested in State, Government, provincial, city and industrial bonds 55,728,000,000 francs. Of this total 43,000,000,000 francs were placed in Government bonds, of which sum 18,000,000,000 francs represented consolidations. Therefore 37,000,000,000 francs represented cash."

"If to this 37,000,000,000 francs cash be added the sums placed in savings banks, which total about 3,000,000,000 francs, we arrive at the total of 40,000,000,000 francs as being the actual cash savings of the French people in 1920. This sum in turn represents in the neighborhood of 33 per cent, of the total national income for the year, not including what sums have been saved and placed in the famous *caisse de lair*."

"These figures show that the characteristics of work, of order and of thrift have not disappeared from France. A people which works and which saves cannot fail, no matter what the momentary difficulties of its Government may be. It will pass through this period of difficulty with head high to enter upon the high road of prosperity."

"It is for this reason that I am optimistic of the future of France."

"Thus it is that France has the right to count on the reparations which Germany must pay her for the reimbursement of the great advances which she has been obliged to make for reconstruction. She has the right and it is her duty to exact these payments, so that her own future generations shall not be borne down by the weight of the cost of reconstructing that which she did not destroy. It is the duty of a father to his family to obtain the payment of a debt which is due him, not only because he has the right to defend his personal goods but because the duty of defending the patrimony of his children devolves upon him."

"But must we conclude, because Germany delays the payment of the sums which she owes, that France is in danger of bankruptcy? To answer this question certain figures are necessary: The secretary of the League of Nations estimates the total income of France for the year 1920 at 128,000,000,000 francs. In 1920 the French people invested in State, Government, provincial, city and industrial bonds 55,728,000,000 francs. Of this total 43,000,000,000 francs were placed in Government bonds, of which sum 18,000,000,000 francs represented consolidations. Therefore 37,000,000,000 francs represented cash."

"If to this 37,000,000,000 francs cash be added the sums placed in savings banks, which total about 3,000,000,000 francs, we arrive at the total of 40,000,000,000 francs as being the actual cash savings of the French people in 1920. This sum in turn represents in the neighborhood of 33 per cent, of the total national income for the year, not including what sums have been saved and placed in the famous *caisse de lair*